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FM AMEMBASSY PORT OF SPAIN
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INFO RUEHHH/OPEC COLLECTIVE
RHMCSUU/DEPT OF ENERGY WASHINGTON DC
RUCNCOM/EC CARICOM COLLECTIVE
RUEHSJ/AMEMBASSY SAN JOSE 0506
RUEHNE/AMEMBASSY NEW DELHI 0037

UNCLAS SECTION 01 OF 02 PORT OF SPAIN 000117

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STATE FOR EEB/IEC, WHA/EPSC, WHA/CAR
ENERGY FOR POLICY/INTERNATIONAL - GWARD, SBROWNE
SAN JOSE FOR REGIONAL ENVIRONMENTAL HUB

E.O. 12958: N/A

TAGS: [ENGR](#) [EPET](#) [EIND](#) [TD](#)

SUBJECT: TRINIDAD ENERGY SECTOR NEWS (#1-09)

In this edition, we report on developments in the Trinidad and Tobago (T&T) energy sector December 2008 - February 2009:

- [1](#)1. India-T&T joint venture signs PSC for NCMA2
- [1](#)2. More PSCs and bid rounds coming in 2009?
- [1](#)3. Upstream companies look to cut costs
- [1](#)4. Petrotrin 2008 loss, credit rating downgraded
- [1](#)5. BG/Chevron have 4 TCF of uncommitted natural gas
- [1](#)6. Plastics project still on stream?
- [1](#)7. Aluminum: Venezuelan partner out, China stays in

[1](#)1. India-T&T joint venture signs PSC for NCMA2

Energy Minister Conrad Enill signed a production sharing contract (PSC) with ONGC Mittal Energy Ltd. (OMEL) of India and GOTT-owned Petrotrin for the North Coast Marine Area 2 (NCMA2) offshore exploration block. According the media reports, OMEL bid US\$204 million and paid a US\$30 million signing bonus to the GOTT. At the signing ceremony OMEL's CEO said five exploratory wells would be drilled in the block over a four-year period.

NCMA2, originally offered for bid in 2005, covers an area of roughly 97,000 hectares in 50-100 feet of water adjoining T&T's western maritime border with Venezuela, immediately north of several gas fields operated and developed by BG Group.

OMEL, with a 65% interest in NCMA2, is a joint venture between the India-based Oil and Natural Gas Corporation (ONGC) and the investment arm of Mittal Steel, which operates one of T&T's two steel mills. Petrotrin holds the remaining 35% interest in NCMA2.

[1](#)2. More PSCs and bid rounds coming in 2009...?

Speaking at the PSC signing ceremony for NCMA2, Minister Enill said 2009 would see the GOTT introduce a new PSC fiscal regime and sign three pending PSCs. In addition, it would negotiate PSCs for three more exploration blocks, hold one bid round for offshore blocks in shallow water and another bid round for deep water blocks. Several weeks after this statement, Energy Ministry Director of Resource Management Helen McInnes announced that the bid round launch was being delayed pending the announcement of a new fiscal regime, but she reiterated that deep water blocks would be offered by the end of [1](#)2009.

[1](#)3. Upstream companies look to cut costs

Speaking at an energy conference in Port of Spain, representatives of the major upstream companies operating in Trinidad and Tobago signaled they are seeking to cut costs in 2009 in response to the global economic slowdown. Petrotrin, for example, plans to conduct 3-D seismic surveys of onshore blocks but will not drill any exploratory wells in 2009.

14. Petrotrin 2008 loss, credit rating downgraded

Petrotrin Chairman Malcolm Jones announced that he expects a 2008 loss in the range of US\$30-50 million due to the decline in global crude prices. While offering no comment on the possibility of job cuts, Jones indicated he would approach the Oilfields Workers Trade Union (OWTU) to look for ways to reduce operating costs by more than 10 percent.

In reaction to the announcement, international rating agencies downgraded Petrotrin's credit rating to negative from stable. With oil and gas prices and refining margins down, the agencies expressed concern that planned spending on Petrotrin's refinery upgrade could result in a significant increase in the company's financial leverage.

15. BG/Chevron have 4 TCF of uncommitted natural gas

BG Group (formerly British Gas), the second largest upstream producer in the local energy sector, reported uncommitted gas reserves and resources in T&T amounting to four trillion cubic feet (TCF). In announcing its fourth quarter and full year financial results for 2008, the company cited three discoveries in Block 5(c) off Trinidad's east coast, where BG is the operator in a 50/50 joint venture with Chevron, as well as first gas from the Poinsettia field in Trinidad's North Coast Marine Area (NCMA) near the maritime border with Venezuela.

16. Plastics project still on stream?

Tight availability of project financing has slowed but not killed

PORT OF SP 00000117 002 OF 002

plans for a \$2.3 billion polypropylene plant in Trinidad, slated for completion in 2012. Andrew Jupiter, head of the GOTT-owned National Energy Corporation, told the press he has received assurances from the European firms involved that they remain committed and are seeking additional financial backing.

17. Aluminum: Venezuelan partner out, China stays in

Energy Minister Conrad Enill revealed that private Venezuelan firm Sural has withdrawn as the minority partner in a 60/40 joint venture with the GOTT to operate the Alutrinit aluminum smelter. Alutrinit officials responded by affirming that construction (by a Chinese firm) would begin on schedule. The construction is being financed by a US\$400 million low-interest loan from China's EXIM Bank.

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